MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

DFA5034 – FINANCIAL ACCOUNTING 3

(All Sections / Groups)

08 AUGUST 2022
09.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Mega Mart uses the perpetual inventory system. The following sales and purchases of the same product were made during the year 2021. The opening inventory consisted of 220 units at RM10.50 each.

Date	Transactions	Unit	Unit Cost (RM)
15 January	Sales	160	
12 March	Purchase	250	RM11.80
28 May	Sales	240	
15 July	Purchase	260	RM12.60
19 August	Purchase	200	RM13.10
12 September	Sales	420	

Required

Prepare a table format to show the calculation of cost of goods sold and the cost of ending inventory for the year 2021, by using FIFO method. (11 marks)

Part B

The following are the partial Statement of Profit or Loss which have been prepared by Permata Enterprise for the past three years:

	2019 (RM)	2020 (RM)	2021 (RM)
Sales	203,400	240,850	302,500
- Cost of Goods Sold:			
Beginning Inventory	32,000	28,300	41,700
+ Purchases	44,300	54,600	67,200
- Ending Inventory	(28,300)	(41,700)	(35,400)
Cost of Goods Sold	48,000	41,200	73,500
Gross Profit	155,400	199,650	229,000

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Subsequent to the preparation of these Statement of Profit or Loss, the following inventory errors were found:

(a) Sales and sales return for the year 2019 was overstated by RM20,500 and RM1,600 respectively.

(b) The 2019 beginning inventory was understated by RM6,650 and ending inventory was overstated by RM12,400.

(c) The 2020 ending inventory included inventory costing RM10,600 that was shipped to Fima Company, term FOB shipping point and the goods is still in transit at year end.

(d) Goods purchases in 2021 was understated by RM7,300 and purchase return amounted to RM2,800 was not recorded.

(e) The 2021 ending inventory included goods costing RM6,900 that were purchased on 24 December from Deema Trading, term FOB destination. The goods were still in transit at the end of the year. The 2021 ending inventory also included goods on consignment from Rowa Company amounted RM14,000.

Required

Prepare the correct Statement of Profit and Loss for the three years, using the comparative format as above. *Show all your workings.* (14 marks)

(Total: 25 marks)

QUESTION 2

Part A

1. On 1 June 2020, Megah Corporation acquired 16,000 shares (15% ownership) of Maju Corporation ordinary shares. The price of ordinary share is RM2.30 per share plus brokerage fees of RM1,200. On 31 December 2020, Megah Corporation received dividend of RM0.50 per share. On 28 February 2021, Megah Corporation sold 2,000 of its shares in Maju Corporation and received net proceeds of RM6,000. On 31 December 2021, Maju Corporation declared and paid dividend RM0.80 per share.

   As at 31 December 2021, the fair value of Maju Corporation is RM3.20 per share and it is classified as trading securities.

Required

(a) Prepare all the necessaries journal entries for the above transactions. *Show all your workings.* (7 marks)

(b) Prepare the partial Statement of Profit and Loss for the year ended 31 December 2021 of Megah Corporation. (3 marks)

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2. On 1 May 2020, Grand Company acquired 45 Delta Corporation 6%, 10-year, RM1,000 bond for RM46,500, including brokerage fees of RM1,500. The bonds pay interest semi-annually on 1 July and 1 January. Grand Company's fiscal year ends on 31 December.

   On 1 January 2021, Grand Company received net proceeds of RM25,000, less brokerage fee of RM1,800 on the sale of the 15 Delta Corporation bonds after receiving the interest due.

   On 1 July 2021, Grand Company received the interest revenue from its bonds in Delta Corporation.

   On 1 July 2021 Grand Company also invested in share investments by buying 30% interest, 10,000 units of ordinary shares in Ayterra Company for RM35,000. Ayterra Company declared and paid dividend for the year 2021 amounted to RM50,000. On 31 December 2021, Ayterra reported net income of RM130,200.

Required

(a) Prepare all the necessaries journal entries for the transactions above.
Show all your workings. (9.5 marks)

(b) Prepare the ledger for Share Investments account. (2.5 marks)

Part B

Identify **THREE (3)** differences between cost method and equity method of accounting for share investments. (3 marks)

(Total: 25 marks)

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QUESTION 3

Part A

Kenanga Company has issued both ordinary shares and preference shares. The company has been successful and has a gross profit rate of 40%. The information shown below was taken from the company's financial statements:

	(RM)
Beginning inventory	348,000
Purchases	3,880,000
Ending inventory	?
Average accounts receivable	600,000
Average total assets	1,800,000
Average common stockholders' equity	3,500,000
Total sales (80% is credit sales)	6,500,000
Sales return and allowances	40,000
Net income	450,000
Total dividend paid (30% for preference shares)	60,000

Required

Compute the following ratios: *(Show all your workings)*

(a) Accounts receivable turnover and the average collection period (2.5 marks)

(b) Inventory turnover and the days in inventory (4 marks)

(c) Return on common stockholders' equity (1.5 marks)

(d) Profit margin (1 mark)

(e) Payout ratio (1.5 marks)

(f) Return on assets (1 mark)

(g) Asset turnover (1.5 marks)

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Part B

A comparative Statement of Financial Position for Million Corporation is presented below:

Comparative Statement of Financial Position as at 31 December		
	2021	**2020**
Current Assets		
Cash at bank	RM204,000	RM274,000
Account receivables	132,000	126,000
Inventories	123,000	112,560
Prepaid expenses	45,600	70,640
	504,600	583,200
Non-Current Assets		
Land and building	430,000	360,000
Plant and machinery (net)	384,000	505,000
	814,000	865,000
TOTAL ASSETS	RM1,318,600	RM1,448,200
Issued and Fully Paid up Capital		
9% Preference shares of RM1 each	360,000	400,000
Ordinary shares of RM1 each	540,000	600,000
	900,000	1,000,000
Reserve		
Retained profit	96,000	138,000
Current Liability		
Account payables	24,600	10,200
Non-Current Liabilities		
Bond payable	72,000	50,000
Loan payable	226,000	250,000
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	RM1,318,600	RM1,448,200

Required

Prepare a horizontal analysis of the Statement of Financial Position data by using 2020 as a base year. (12 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Below is the Statement of Financial Position of Razif & Sons before its liquidation:

Razif & Sons Statement of Financial Position as at 31 December 2021		
Current Assets	**RM**	**RM**
Cash	120,000	
Account receivables	180,000	
(-) Allowance for doubtful account	(30,000)	
Inventories	60,000	330,000
Non-current Asset		
Equipment	520,000	
(-) Accumulated depreciation	(150,000)	370,000
TOTAL ASSETS		**RM700,000**
Owners' Equity		
Razif, Capital	225,000	
Rizman, Capital	160,000	
Rashidi, Capital	110,000	495,000
Current Liabilities		
Account payables	65,000	
Notes payables	140,000	205,000
TOTAL EQUITY & LIABILITIES		**RM700,000**

The partners of Razif & Sons agree to liquidate their partnership on the following terms:

i. The partnership will sell its non-cash assets to Perisma Company for RM700,000 cash.
ii. The partnership will pay its partnership liabilities. The income ratios of the partners are 3:2:1 respectively.

Required

Prepare all the necessary journal entries for the liquidation of a partnership. (9 marks)

Part B

Julie and Ennie are best friends since secondary school. They have the same interest and decided to venture into beauty spa business, Anggun Beauty Spa on 1 January 2021. Julie and Ennie invested RM150,000 and RM90,000 respectively. On 1 June 2021, Ennie invested an additional RM25,000. During the year, Julie withdrew RM15,000 for her personal use. Service revenue for the year amounted to RM380,000 and expenses was RM215,000. Julie and Ennie share their income and losses on a 3:2 basis.

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Required

Prepare the closing entries as at 31 December 2021 for the Anggun Beauty Spa. (4 marks)

Part C

Smart Home Interior Design provides home interior design services for Melaka and Seremban areas. The company also sells interior design merchandise to its customers. On 1 January 2021, the ledger of Smart Home Interior Design contains the following liabilities accounts:

	RM
Account payable	125,000
Sales and service tax payable	28,000
Unearned service revenue	35,500

Smart Home Interior Design prepares their financial statements every six months. During 2021, the following selected transactions occurred.

Feb 1	Borrowed RM45,000 from DCM Bank by signing a 10-month, 4%, note.
Mar 5	Sold merchandise on account totaling RM47,700 which includes 6% sales tax.
Apr 12	Provided services for customer who had made advance payments of RM15,500.
May 14	Paid Royal Malaysian Customs Department for sales and service taxes collected in last year, RM20,000.
June 30	Accrued the interest on DCM Bank note.
Aug 20	Sold 1,200 units of a new interior design merchandise on credit at RM70 per unit plus 6% sales tax.
Nov 30	Received RM20,000 in advance from its client for renovation services that will be provided next year.
Dec 1	Paid the principal and interest on DCM Bank's note.
Dec 14	Made payment to creditor by paying a quarter of the account payable amount.
Dec 31	Accrued the employee's salary for the month amounted to RM63,800.

Required

Journalise the transactions for the year 2021. (12 marks)

(Total: 25 marks)

End of Paper